

**BILL #** HB 2491

**TITLE:** tax credit; elderly care; dependents

**SPONSOR:** Cajero Bedford

**STATUS:** As Introduced

**REQUESTED BY:** House

**PREPARED BY:** John Malloy

## **FISCAL ANALYSIS**

### **Description**

HB 2491 would permit a tax credit of up to \$5,000 for individuals who pay for dependents in health care facilities. The bill places the following restrictions on who can claim the credit:

- The taxpayer's annual income may not exceed \$80,000;
- At least one-quarter of the annual costs of providing services must be paid directly by the taxpayer;
- The qualified dependent's annual income does not exceed 150% of the state income standard for the Arizona Health Care Cost Containment System (AHCCCS), or roughly 330% of the Federal Poverty Level (or about \$30,000 for an individual).

### **Estimated Impact**

JLBC Staff cannot determine the cost of HB 2491 because we cannot estimate the number of families who would qualify.

### **Analysis**

According to the Department of Health Services, the licensed bed capacity (including assisted living and long-term care facilities) in Arizona is 41,384. Based on 2000 Census data, JLBC Staff estimates that the total number of individuals receiving services in nursing homes is 27,031. Additionally, the American Health Care Association (AHCA) reports that 2/3rds of individuals in nursing homes have no living relatives, leaving approximately 9,000 individuals in Arizona in nursing homes whose care may be paid for by a family member. We cannot determine, however, how many of those 9,000 individuals with living relations have their care paid for by individuals as opposed to ALTCS or private insurers.

Because of income restrictions in HB 2491, JLBC Staff estimates that the number of individuals eligible for the income tax credit in the bill would be much less than the 9,000 figure referenced above. The average cost of nursing home care in Arizona is about \$40,000. HB 2491 stipulates that only individuals making less than \$80,000 and pay for 1/4<sup>th</sup> of the cost of care (approximately \$10,000) qualify for the credit. It is not clear how many individuals making less than \$80,000 a year could afford paying \$10,000 annually in order to qualify for the credit. Additionally, while the bill provides a tax credit of up to \$5,000, an individual making \$80,000 would owe, at a maximum, about \$2,800 in state income tax. Therefore, an individual would receive a tax benefit of only \$2,800 for paying \$10,000 or more for nursing home care. For this reason, we do not think there is a sufficient incentive for families to pay for their own dependents' care rather than have the care paid for by ALTCS, as desired in Section 3 of the bill. To the extent this happens, the bill's cost would be reduced.

### **Local Government Impact**

JLBC Staff cannot determine the potential fiscal impact of HB 2491 on local governments. The Urban Revenue Sharing (URS) program distributes 15% of income tax collections to incorporated cities 2 years after collection. To the extent that income tax collections are decreased as a result of this bill, incorporated cities would see a corresponding deduction in their URS dollars. As noted above, we do not think that many families will choose to pay for their own care, but to the extent this reduces ALTCS costs, it would reduce county expenditures since counties pay 50% of ALTCS growth.